



## Senate

General Assembly

**File No. 384**

*January Session, 2007*

Substitute Senate Bill No. 581

*Senate, April 10, 2007*

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING THE ALLOCATION OF PRIVATE ACTIVITY BONDS FOR RESIDENTIAL HOUSING.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-141 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2007*):

3 (a) (1) The total amount of private activity bonds which may be  
4 issued by state issuers in the calendar year commencing January 1,  
5 2001, under the state ceiling in effect for such year, shall be allocated as  
6 follows: (A) Sixty per cent to the Connecticut Housing Finance  
7 Authority; (B) fifteen per cent to the Connecticut Development  
8 Authority; and (C) twenty-five per cent to municipalities and political  
9 subdivisions, departments, agencies, authorities and other bodies of  
10 municipalities, the Connecticut Higher Education Supplemental Loan  
11 Authority and for contingencies.

12 (2) The total amount of private activity bonds which may be issued

13 by state issuers in the calendar year commencing January 1, 2002, and  
 14 each calendar year thereafter, under the state ceiling in effect for each  
 15 such year, shall be allocated as follows: (A) Sixty per cent to the  
 16 Connecticut Housing Finance Authority; (B) twelve and one-half per  
 17 cent to the Connecticut Development Authority; and (C) twenty-seven  
 18 and one-half per cent to municipalities and political subdivisions,  
 19 departments, agencies, authorities and other bodies of municipalities,  
 20 the Connecticut Higher Education Supplemental Loan Authority and  
 21 for contingencies. At least twenty per cent of bonds allocated under  
 22 subparagraph (A) of this subdivision shall be used for multifamily  
 23 residential housing.

24 (b) No municipality or political subdivision, department, agency,  
 25 authority or other body of a municipality shall issue any private  
 26 activity bonds, and no state issuer shall issue private activity bonds  
 27 which are allocated under subsection (a) of this section for  
 28 contingencies unless (1) the project or program to be financed is  
 29 consistent with the state plan of conservation and development, the  
 30 consolidated plan for housing and community development and the  
 31 action plan for housing and community development, and (2) the  
 32 Secretary of the Office of Policy and Management approves the  
 33 issuance. The secretary shall adopt regulations in accordance with  
 34 chapter 54, establishing procedures and standards for the submission  
 35 and review of applications for such approvals.

36 (c) The secretary shall monitor the needs of all state issuers for  
 37 private activity bonds and shall be responsible for ensuring that no  
 38 private activity bonds are issued which exceed any allocation under  
 39 subsection (a) of this section, except as provided under section 32-142.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2007	32-141

***Statement of Legislative Commissioners:***

In the last sentence of Subdiv. (2), the word "issued" was changed to "allocated" for accuracy.

***HSG***      *Joint Favorable Subst. C/R*

PD

***PD***      *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

Private activity bonds are revenue bonds issued by quasi-public authorities or municipalities on the credit of a private borrower or a pool of borrowers. The bonds are not a state obligation because the private borrowers pay the debt service.

***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

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**OLR Bill Analysis****sSB 581*****AN ACT CONCERNING THE ALLOCATION OF PRIVATE ACTIVITY BONDS FOR RESIDENTIAL HOUSING.*****SUMMARY:**

This bill requires that the Connecticut Housing Finance Authority (CHFA) use at least 20% of its allocated private activity bonds for multifamily residential housing. By law, 60% of the private activity bonds that state issuers may issue must be allocated to CHFA.

EFFECTIVE DATE: July 1, 2007

**BACKGROUND*****Private Activity Bonds***

Private Activity Bonds (also known as industrial development bonds) are issued by quasi-public authorities and municipalities. They are backed by the credit of private borrowers or pools of borrowers, who pay the debt service on the bonds. Federal law exempts these bonds from federal taxation if issued for tax-exempt sewage disposal, water, solid waste disposal, or local district heating and cooling facilities; qualified nonprofit corporation projects; manufacturing projects; or as qualified redevelopment bonds for tax-exempt facilities.

Federal law limits the volume of tax-exempt private activity bonds that can be issued each year. Each state has its own cap. Originally, Connecticut's cap was \$ 50 per capita or \$ 150 million. Since 2002, this amount has increased annually with inflation.

By law, 12.5% of the private activity bonds that state issuers issue must be allocated to CDA, and 27.5% must be allocated to municipalities and political subdivisions, departments agencies,

authorities and other municipal bodies, the Connecticut Higher Education Supplemental Loan Authority, and for contingencies.

**COMMITTEE ACTION**

Select Committee on Housing

Joint Favorable Substitute Change of Reference

Yea 10 Nay 0 (03/06/2007)

Planning and Development Committee

Joint Favorable

Yea 15 Nay 4 (03/21/2007)